

LAKE TOWNSHIP, LAKE COUNTY

BALDWIN, MICHIGAN

JUNE 30, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

JUNE 30, 2008

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November 14, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Lake Township
Lake County
Baldwin, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Lake County, Baldwin, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township, Lake County, Baldwin, Michigan as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 17-18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Township, Lake County, Baldwin, Michigan's basic financial statements. The individual fund financial statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Lake Township, a general law township located in Lake County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Lake Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$919,096. Of this amount, \$204,632 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$492,317 an increase of \$118,418 in comparison with the prior year. About \$204,632 is available for spending at the Township's discretion.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$204,632 or 1.32% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township were \$919,096 at June 30, 2008, meaning the Township’s assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Lake Township
Net Assets as of June 30, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 498,131
Non Current Assets	
Capital Assets	824,779
Less: Accumulated Depreciation	<u>(378,052)</u>
Total Non Current Assets	<u>446,727</u>
Total Assets	<u><u>\$ 944,858</u></u>
Liabilities	
Current Liabilities	\$ 12,202
Long-Term Liabilities	<u>13,560</u>
Total Liabilities	<u>25,762</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	426,779
Restricted	
Fire Protection	116,598
Gypsy Moth Control	156,637
Milfoil Control	13,556
Telecommunications Right-of-Way Maintenance	894
Unrestricted	<u>204,632</u>
Total Net Assets	<u>919,096</u>
Total Liabilities and Net Assets	<u><u>\$ 944,858</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$204,632 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in net assets for the government as a whole.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

The total net assets of the Township increased by \$113,742 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Lake Township
Change in Net Assets
for the Fiscal Year Ended June 30, 2008

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 12,154
Operating Grants and Contributions	52,595
General Revenues	
Taxes	239,255
State Grants	58,990
Interest Earnings	7,810
Other	21,552
Total Revenues	<u>392,356</u>
<u>Expenses</u>	
Legislative	19,709
General Government	110,289
Public Safety	108,800
Public Works	4,455
Economic Development	3,410
Recreation and Culture	12,445
Other Functions	19,506
Total Expenses	<u>278,614</u>
Change in Net Assets	113,742
<u>NET ASSETS</u> - Beginning of Year	<u>805,354</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 919,096</u></u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Governmental Activities

During the fiscal year ended June 30, 2008, the Township's net assets increased by \$113,742 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Lake Township comes from property taxes. The Township levied a millage for fire protection and fire debt service, in addition to the operating millage, this fiscal year. The Township levied 0.6648 mills for operating purposes, 1.1378 mills for fire protection, and 0.5000 mills for fire debt service.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$110,289. Public Safety expenses represented the next largest expense at \$108,800 followed by legislative at \$19,709. Depreciation expense represents a large portion of the public safety and general government expenses at \$11,675 and \$35,518 respectively.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Lake Township's governmental funds reported combined ending fund balances of \$492,317. \$204,632 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$40,265 which brings the fund balance to \$205,526. Of the General Fund's fund balance, \$204,632 is unreserved while \$894 is reserved for telecommunications right of way maintenance. Tax related revenues were \$100,892. State grant revenues were \$62,335.

Fire Fund – The Fire Fund increased its fund balance by \$39,211 which brings the fund balance to \$116,598. This balance is reserved and must be used for fire protection and fire equipment.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

The Township levied a fire millage on the 2007 tax roll. This resulted in \$138,363 in tax related revenues during the current fiscal year.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2008 amounted to \$446,727 net of accumulated depreciation. The total decrease in the Township's investment in capital assets net of accumulated depreciation for the current fiscal year was \$28,611.

Capital assets summarized below include any items purchased with a cost greater than \$2,500 individually for the General Fund and \$5,000 individually for the Fire Fund. A summary of capital asset categories is illustrated below:

Lake Township
Capital Assets as of June 30, 2008

Land and Land Improvements	\$ 104,440
Buildings	278,750
Machinery and Equipment	441,589
	<hr/> 824,779
Less: Accumulated Depreciation	<hr/> (378,052)
	<hr/>
Net Capital Assets	<u><u>\$ 446,727</u></u>

Long-Term Debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$19,948. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues. The Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes.

A fire millage was once again levied for the 2008 tax roll.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Lake Township at 11580 S. Star Lake Drive, Baldwin, Michigan 49304.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 478,819
Taxes Receivable	15
Due from Other Governments	<u>19,297</u>
Total Current Assets	<u>498,131</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	104,440
Buildings	278,750
Machinery and Equipment	<u>441,589</u>
	824,779
Less Accumulated Depreciation	<u>(378,052)</u>
Net Capital Assets	<u>446,727</u>
TOTAL ASSETS	<u><u>\$ 944,858</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 4,073
Payroll Liabilities	1,641
Rental Deposits	100
Current Portion of Long-Term Liabilities	<u>6,388</u>
Total Current Liabilities	12,202
<u>NONCURRENT LIABILITIES</u>	
Note Payable - Fire Equipment (Net of Current Portion)	<u>13,560</u>
Total Liabilities	<u>25,762</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	426,779
Restricted	
Fire Protection	116,598
Gypsy Moth Control	156,637
Milfoil Control	13,556
Telecommunications Right of Way Maintenance	894
Unrestricted	<u>204,632</u>
Total Net Assets	<u>919,096</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 944,858</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTALS
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>				
Legislative	\$ 19,709	\$ 0	\$ 0	\$ (19,709)
General Government	110,289	6,252	0	(104,037)
Public Safety	108,800	0	0	(108,800)
Public Works	4,455	0	3,345	(1,110)
Economic Development	3,410	0	0	(3,410)
Recreation and Culture	12,445	5,902	49,250	42,707
Other Functions	19,506	0	0	(19,506)
Total Governmental Activities	\$ 278,614	\$ 12,154	\$ 52,595	(213,865)

GENERAL REVENUES

Taxes	239,255
State Grants	58,990
Interest Earnings	7,810
Other	21,552
Total General Revenues	<u>327,607</u>
Change in Net Assets	113,742
<u>NET ASSETS</u> - Beginning of Year	<u>805,354</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 919,096</u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2008

	GENERAL FUND	FIRE FUND	GYPSY MOTH CONTROL FUND	MILFOIL CONTROL FUND	TOTAL
<u>ASSETS</u>					
Cash	\$ 189,610	\$ 117,713	\$ 156,637	\$ 14,859	\$ 478,819
Taxes Receivable	4	11	0	0	15
Due from Other Governments	19,297	0	0	0	19,297
 TOTAL ASSETS	 \$ 208,911	 \$ 117,724	 \$ 156,637	 \$ 14,859	 \$ 498,131
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 1,829	\$ 941	\$ 0	\$ 1,303	\$ 4,073
Payroll Liabilities	1,456	185	0	0	1,641
Rental Deposits	100	0	0	0	100
 Total Liabilities	 3,385	 1,126	 0	 1,303	 5,814
<u>FUND BALANCE</u>					
Reserved for:					
Fire Protection	0	116,598	0	0	116,598
Gypsy Moth Control	0	0	156,637	0	156,637
Milfoil Control	0	0	0	13,556	13,556
Telecommunications Right of Way Maintenance	894	0	0	0	894
Unreserved					
Undesignated	204,632	0	0	0	204,632
Total Fund Balance	\$ 205,526	\$ 116,598	\$ 156,637	\$ 13,556	\$ 492,317
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 208,911	 \$ 117,724	 \$ 156,637	 \$ 14,859	 \$ 498,131

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances for Governmental Funds	\$ 492,317
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 104,440	
Buildings	278,750	
Machinery and Equipment	441,589	
Accumulated Depreciation	<u>(378,052)</u>	446,727

Long-term liabilities and accrued interest are not due and payable in the current term
and are not reported in the funds.

Note Payable - Fire Equipment	<u>(19,948)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 919,096</u></u>
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The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	FIRE FUND	GYPSY MOTH CONTROL FUND	MILFOIL CONTROL FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 100,892	\$ 138,363	\$ 0	\$ 0	\$239,255
Licenses and Permits	4,791	0	0	0	4,791
State Grants	62,335	0	0	0	62,335
Charges for Services	6,263	0	0	0	6,263
Interest and Rents	4,873	1,899	2,061	76	8,909
Other Revenues	15,945	5,608	38,970	10,280	70,803
Total Revenues	195,099	145,870	41,031	10,356	392,356
<u>EXPENDITURES</u>					
Legislative	19,709	0	0	0	19,709
General Government	107,754	0	0	0	107,754
Public Safety	0	106,659	0	0	106,659
Public Works	4,455	0	0	0	4,455
Community and Economic Development	3,410	0	0	0	3,410
Recreation and Culture	0	0	0	12,445	12,445
Other Functions	19,506	0	0	0	19,506
Total Expenditures	154,834	106,659	0	12,445	273,938
Excess (Deficiency) of Revenues Over Expenditures	40,265	39,211	41,031	(2,089)	118,418
<u>FUND BALANCE</u> - Beginning of Year	165,261	77,387	115,606	15,645	373,899
<u>FUND BALANCE</u> - End of Year	\$ 205,526	\$ 116,598	\$ 156,637	\$ 13,556	\$492,317

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 118,418
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(47,193)
Capital Outlay	18,582
Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities (where they are a reduction of liabilities)	<u>23,935</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 113,742</u></u>

The accompanying notes are an integral part of the financial statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lake Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Lake Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Gypsy Moth Control Fund* accounts for revenue sources that are legally restricted to expenditures for gypsy moth control.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The *Milfoil Control Fund* accounts for revenue sources that are legally restricted to expenditures for milfoil control.

Additionally Lake Township reports the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The Township Board adopted an investment policy on December 19, 1999 which states the Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following: Public Funds Management Accounts, Savings Accounts, Certificates of Deposit, Money Market Accounts, and US Treasury Bills.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county operating taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Lake Township totaled \$84,476,740, on which ad valorem taxes levied consisted of 0.6648 mills for Lake Township operating purposes, 1.1378 mills for Lake Township fire protection and 0.5000 mills for Lake Township fire equipment debt service. These levies raised approximately \$57,368 for operating purposes, \$96,125 for fire protection and \$42,238 for fire debt service. In addition, the Township levied special assessments for gypsy moth control and milfoil control.

3. *Inventories*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 for the General Fund and \$5,000 for the fire fund (amounts not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land and Land Improvements	20
Buildings	50
Vehicles	10
Machinery and Equipment	5-10

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 28, 2007 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

B. Funds with Expenditures in Excess of Appropriations were as Follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Public Works	\$ 2,770	\$ 4,455
Milfoil Control Fund		
Recreation and Culture	9,500	12,445

These overages were funded by available fund balance and greater than anticipated revenues.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits and investments are all on deposit with Lake Osceola State Bank, Baldwin, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$279,038 of the government's bank balance of \$479,038 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end all of the Township's investments were uncategorized as to risk.

B. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 18,700	\$ 0	\$ 0	\$ 18,700
Capital assets, being depreciated				
Land improvements	80,000	5,740	0	85,740
Buildings	278,750	0	0	278,750
Machinery and equipment	436,748	12,842	8,000	441,590
Total capital assets, being depreciated	795,498	18,582	8,000	806,080
Less accumulated depreciation for:				
Land improvements	12,667	4,120	0	16,787
Buildings	43,535	5,565	0	49,100
Machinery and equipment	282,658	37,508	8,000	312,166
Total accumulated depreciation	338,860	47,193	8,000	378,053
Total capital assets, being depreciated, net	456,638	(28,611)	0	428,027
Governmental activities capital assets, net	\$ 475,338	\$ (28,611)	\$ 0	\$ 446,727

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 11,675
Public Safety	<u>35,518</u>
Total depreciation expense - governmental activities	<u><u>\$ 47,193</u></u>

Construction Commitments:

The government has one outstanding commitment of \$14,750 as of March 31, 2008, with Rieth-Riley Construction Co., Inc. for paving the township parking lot.

D. Interfund Receivables and Payables

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Lake Township for the year ended June 30, 2008:

Long-Term Debt Payable At July 1, 2007	\$ 43,883
New Debt Incurred	0
Payments on Debt	<u>(23,935)</u>
LONG-TERM DEBT PAYABLE AT JUNE 30, 2008	<u><u>\$ 19,948</u></u>
Due within one year	<u><u>\$ 6,388</u></u>

Debt payable at June 30, 2008 consisted of the following:

Fire Equipment Loan

\$32,000 payable to Lake-Osceola Bank due in Annual	
Installments of \$7,189 to \$13,000 through January 24, 2011	
Interest at 3.95%	<u><u>\$ 19,948</u></u>

The annual requirements to amortize the debt outstanding as of June 30, 2008, are as follows:

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

<u>YEAR ENDED</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 6,388	\$ 801	\$ 7,189
2010	6,646	543	7,189
2011	6,914	275	7,189
	<u>\$ 19,948</u>	<u>\$ 1,619</u>	<u>\$ 21,567</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various accounts. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Telecommunication's Right-of-Way Maintenance \$ 894

Special Revenue Funds

Fire Fund

Fire Protection 116,598

Gypsy Moth Control Fund

Gypsy Moth Control 156,637

Milfoil Control Fund

Milfoil Control 13,556

TOTAL FUND BALANCE RESERVES AND DESIGNATIONS \$287,685

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

B. Sale of Future Revenues

For several years, the Township has sold its rights to delinquent real property tax revenues and related late payment penalties to the Lake County treasurer. For the 2007 tax roll the Township received a lump sum payment of \$5,547 for general operating tax revenues, \$4,104 for fire department service revenues, and \$9,341 for fire operating tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Township will have to repay the county.

C. Property Tax Administration Fee

The Township passed a resolution to charge a 1% administration fee on all ad valorem taxes levied. Also, a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 98,321	\$ 98,321	\$ 100,892	\$ 136,266	\$ 136,266	\$ 138,363
Licenses and Permits	4,969	4,969	4,791	0	0	0
State Grants	61,462	61,462	62,335	0	0	0
Charges for Services	4,960	4,960	6,263	0	0	0
Interest and Rents	4,550	4,550	4,873	1,000	1,000	1,899
Other Revenues	4,205	4,205	15,945	450	450	5,608
Total Revenues	178,467	178,467	195,099	137,716	137,716	145,870
<u>EXPENDITURES</u>						
Legislative	24,350	27,900	19,709	0	0	0
General Government	107,125	117,540	107,754	0	0	0
Public Safety	0	0	0	215,799	215,799	106,659
Public Works	2,715	2,770	4,455	0	0	0
Community and Economic Development	5,100	5,100	3,410	0	0	0
Recreation and Culture	0	0	0	0	0	0
Other Functions	21,345	21,445	19,506	0	0	0
Contingency	167,268	153,148	0	0	0	0
Total Expenditures	327,903	327,903	154,834	215,799	215,799	106,659
Excess (Deficiency) of Revenues Over Expenditures	(149,436)	(149,436)	40,265	(78,083)	(78,083)	39,211
<u>FUND BALANCE</u> - Beginning of Year	149,436	149,436	165,261	78,083	78,083	77,387
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 205,526	\$ 0	\$ 0	\$ 116,598

GYPSY MOTH CONTROL FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
1,745	1,745	2,061
35,798	35,798	38,970
37,543	37,543	41,031

0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
28,000	28,000	0
0	0	0
125,149	125,149	0
153,149	153,149	0

(115,606)	(115,606)	41,031
115,606	115,606	115,606
\$ 0	\$ 0	\$ 156,637

MILFOIL CONTROL FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
20	20	76
10,000	10,000	10,280
10,020	10,020	10,356

0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
9,500	9,500	12,445
0	0	0
16,165	16,165	0
25,665	25,665	12,445

(15,645)	(15,645)	(2,089)
15,645	15,645	15,645
\$ 0	\$ 0	\$ 13,556

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 189,610
Taxes Receivable	4
Due from Other Governments	<u>19,297</u>
 TOTAL ASSETS	 <u><u>\$ 208,911</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,829
Payroll Liabilities	1,456
Rental Deposits	<u>100</u>
 TOTAL LIABILITIES	 <u>3,385</u>

FUND BALANCE

Reserved for	
Telecommunications Right of Way Maintenance	894
Unreserved	<u>204,632</u>
 Total Fund Balance	 <u>205,526</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 208,911</u></u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
Taxes	\$ 98,321	\$ 98,321	\$ 100,892
Licenses and Permits	4,969	4,969	4,791
State Grants	61,462	61,462	62,335
Charges for Services	4,960	4,960	6,263
Interest and Rents	4,550	4,550	4,873
Other Revenues	4,205	4,205	15,945
Total Revenues	178,467	178,467	195,099
<u>EXPENDITURES</u>			
Legislative			
Township Board	24,350	27,900	19,709
General Government			
Supervisor	13,550	13,550	10,830
Election	2,100	2,100	861
Assessor	32,100	34,140	34,372
Attorney	4,400	4,400	660
Clerk	13,825	13,825	12,512
Board of Review	975	1,000	755
Treasurer	24,475	28,925	28,712
Building and Grounds	9,450	11,350	11,204
Cemetery	6,250	8,250	7,848
Public Works			
Highways, Streets and Bridges	2,715	2,770	4,455
Community and Economic Development			
Planning and Zoning	5,100	5,100	3,410
Other Functions	21,345	21,445	19,506
Contingency	167,268	153,148	0
Total Expenditures	327,903	327,903	154,834
Excess (Deficiency) of Revenues Over Expenditures	(149,436)	(149,436)	40,265
<u>FUND BALANCE</u> - Beginning of Year	149,436	149,436	165,261
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 205,526

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 117,713
Taxes Receivable	<u>11</u>
TOTAL ASSETS	<u><u>\$ 117,724</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 941
AFLAC Withholding	<u>185</u>
	1,126

FUND BALANCE

Reserved for Fire Protection	<u>116,598</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 117,724</u></u>
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LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
Taxes			
Current Property Taxes	\$ 136,266	\$ 136,266	\$ 138,363
Interest and Rents			
Interest Earnings	1,000	1,000	1,899
Other Revenues			
Donations from Private Sources	250	250	0
Miscellaneous	200	200	5,608
Total Revenues	<u>137,716</u>	<u>137,716</u>	<u>145,870</u>
<u>EXPENDITURES</u>			
Public Safety			
Personal Services			
Salaries and Wages	37,300	37,300	23,151
Social Security	2,300	2,300	1,177
Supplies			
Office Supplies and Postage	160	310	266
Gas and Oil	5,500	5,500	4,038
Operating Supplies	5,500	5,500	3,190
Other Services and Charges			
Telephone	1,400	1,400	1,036
Training	1,200	2,700	2,168
Repairs and Maintenance	10,000	13,500	14,369
Contracted Services	5,000	5,000	5,505
Dues and Memberships	100	100	95
Miscellaneous	100	100	51
Insurance	13,500	13,500	13,242
Utilities	4,900	6,900	6,619
MAMAC Emergency Fund	100	100	0
Capital Outlay			
Equipment	34,500	34,500	6,300

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
Debt Service			
Principal	0	0	23,936
Interest	0	0	1,516
Contingency	94,239	87,089	0
Total Expenditures	215,799	215,799	106,659
Excess (Deficiency) of Revenues Over Expenditures	(78,083)	(78,083)	39,211
<u>FUND BALANCE</u> - Beginning of Year	78,083	78,083	77,387
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 116,598</u>

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GYPSY MOTH CONTROL FUND

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	<u>\$ 156,637</u>
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Reserved for Gypsy Moth Control	<u>156,637</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 156,637</u>
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LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

GYPSY MOTH CONTROL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Interest and Rents			
Interest Earnings	\$ 1,745	\$ 1,745	\$ 2,061
Other Revenue			
Special Assessments	35,798	35,798	38,970
Total Revenues	37,543	37,543	41,031
<u>EXPENDITURES</u>			
Recreation and Culture			
Gypsy Moth Control	28,000	28,000	0
Contingency	125,149	125,149	0
Total Expenditures	153,149	153,149	0
Excess (Deficiency) of Revenues			
Over Expenditures	(115,606)	(115,606)	41,031
<u>FUND BALANCE</u> - Beginning of Year	115,606	115,606	115,606
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 156,637

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MILFOIL CONTROL FUND

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	<u>\$ 14,859</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,303
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FUND BALANCE

Reserved for Milfoil Control	<u>13,556</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 14,859</u>
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LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

MILFOIL CONTROL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Interest and Rents			
Interest Earnings	\$ 20	\$ 20	\$ 76
Other Revenue			
Special Assessments	10,000	10,000	10,280
Total Revenues	10,020	10,020	10,356
<u>EXPENDITURES</u>			
Recreation and Culture			
Milfoil Control	9,500	9,500	12,445
Contingency	16,165	16,165	0
Total Expenditures	25,665	25,665	12,445
Excess (Deficiency) of Revenues Over Expenditures	(15,645)	(15,645)	(2,089)
<u>FUND BALANCE</u> - Beginning of Year	15,645	15,645	15,645
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 13,556

LAKE TOWNSHIP, LAKE COUNTY
BALDWIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
JUNE 30, 2008

	BALANCE			BALANCE
	7/1/2007	ADDITIONS	DEDUCTIONS	6/30/2008
<u>ASSETS</u>				
Cash	\$ 0	\$ 3,167,573	\$ 3,167,573	\$ 0
<u>LIABILITIES</u>				
Due to Other Organizations and Individuals	\$ 0	\$ 3,051	\$ 3,051	\$ 0
Due to Other Governments	0	2,898,946	2,898,946	0
Due to Other Funds	0	265,576	265,576	0
	\$ 0	\$ 3,167,573	\$ 3,167,573	\$ 0

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
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November 14 , 2008

To the Township Board
Lake Township
Lake County
Baldwin, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Lake Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

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November 14, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Lake Township
Lake County
Baldwin, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Township for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lake Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 14, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Lake Township for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

Bank Reconciliations

During the audit, we noted that bank statements were not reconciled to the general ledger. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the township's procedures. We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following item is noted:

One activity in the General Fund and one activity in the Milfoil Control Fund exceeded the budgeted amount. The budget should always be amended prior to incurring expenditures in excess of budgeted amounts. Any amendments made should be approved by the Township Board and recorded in the minutes.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.